

For Record

HOUSING AUTHORITY OF THE CITY OF STAMFORD
D/B/A CHARTER OAK COMMUNITIES
TESTIMONY REGARDING RAISED BILL 5454
SUBMITTED TO THE PLANNING AND DEVELOPMENT COMMITTEE
MARCH 15, 2012

Thank you for the opportunity to comment on Raised Bill 5454, which is currently under consideration by the Planning and Development Committee.

Charter Oak Communities (COC) believes that the powers of eminent domain should be utilized only in those instances in which a clearly legitimate public interest is identified and alternate approaches have proven unsuccessful. We also believe that the current statute ensures that compensation paid to owners whose property is taken through eminent domain will exceed the fair market value of the property at the time of the action by approximately 25%.

For this reason, COC opposes the revisions to Section 8-129 of the general statutes as proposed in Raised Bill 5454. In its present form, the statute already ensures that property owners receive compensation that exceeds market value by requiring payment of an amount equal to 125% of the average value, as determined by two independent appraisals. If it can be assumed that the average of the two appraisals approximates fair market value, the requirement that compensation be 125% of that amount provides owners with a significant premium over fair market value in return for being forced to sell their property.

The proposed addition to the statute would require that an even greater premium above fair market value be paid to property owners if the local municipal assessed value exceeds 125% of the average of the two independent appraisals. COC believes this is inappropriate for two reasons:

- 1) Municipal valuations are established infrequently, while real estate market conditions fluctuate constantly. A real estate appraisal performed by an independent, licensed appraiser is typically considered valid for a period of 60 days to a few months. A municipal appraisal could easily be several years old at the time of an eminent domain action, and would be unlikely to reflect current market conditions. It is unreasonable to rely on what would often be very outdated information in determining the appropriate compensation for a current transaction.
- 2) Municipal valuations are historically variable by community and are not tested by the marketplace. Periodic town-wide reassessments are often performed by firms with little knowledge of local real estate markets and the many factors that affect market value differently even among neighborhoods in the same municipality. Access to property interiors during a municipal reassessment is at the discretion of the property owner. The valuation of many properties during a municipal reassessment is determined without the appraiser seeing the interior of the buildings being assessed. The results of infrequent and superficial municipal reassessments fall far short of the standards established for independent appraisals that a lender or investor would rely upon.

COC is aware that an individual whose property is taken in a condemnation action might feel aggrieved if 125% of the value reached by the two independent appraisers is less than the current municipal assessment. However, public entities forced to acquire property through eminent domain should not be financially penalized because municipal assessment levels are often inconsistent with current fair market value.

There are many aspects of the infrequent municipal reassessment practice that can result in valuations that are initially somewhat inaccurate. Even if the initial valuation at the time of reassessment is correct, such valuations can only become less applicable over time. COC urges the Committee to retain the statute in its present form. In our opinion, the 25% premium over fair market value which the current statute requires ensures that property owners will not be financially harmed if their property is the subject of a condemnation action.

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Charter Oak Communities